

Milk Marketing Scheme, 1933 (as amended)

Complaint by Quality Milk Producers Limited

Report of the
Committee of Investigation
for England and Wales



LONDON
HER MAJESTY'S STATIONERY OFFICE
1963

Committee of Investigation for England and Wales

Report on complaint made by Quality Milk Producers Ltd. as to the operation of the Milk Marketing Scheme, 1933 (as amended)

To: THE RT. HON. CHRISTOPHER SOAMES, C.B.E., M.P.

SIR,

Introduction

1. We were directed on 17th October, 1962, to consider and report on the complaint by Quality Milk Producers Ltd. (hereinafter called the complainants) as to the operation of the Milk Marketing Scheme, which applies only to England and Wales. The complaint was set out in two letters, dated 16th August and 5th October, 1962. In addition we were invited, without prejudice to any relevant matter on which we might wish to observe, to report in particular whether any act or omission of the Milk Marketing Board (hereinafter called the Board¹), of which act or omission complaint has been made in the above-mentioned letters is contrary to the interests of consumers of milk, or is contrary to the interests of any persons affected by the Scheme and is not in the public interest. The Direction and the letters of complaint are reproduced in Appendix I to this Report.

2. The complainants stated in their letter dated 16th August that they represented 6,000 members, who produced approximately 75 per cent of the Channel Islands milk in England and Wales, that is to say, about 80 million gallons annually. They also claimed the support of the Jersey Cattle Society of the United Kingdom, the English Guernsey Cattle Society and the South Devon Herd Book Society.

3. The complainants and the Board were informed in letters dated 17th October, 1962, that they might make representations to us in writing not later than 8th November, 1962, and these are reproduced in Appendix II to this Report. The complainants requested that the complaint should be heard orally and both parties were informed in letters dated 23rd October, 1962, that the Committee agreed to this course.

4. We met on 19th November, 1962, to determine the procedure to be adopted in the consideration of the complaint. Representatives of the complainants and the Board were asked to provide us with proofs of evidence of the witnesses they intended to call and certain other information. They indicated that they would put in an agreed bundle of documents. We also heard their views as to whether the hearing should be held in public or in private. The complainants submitted that the matter complained of was a matter of public importance and that the hearing should therefore be in public. The Board maintained that there was no particular reason for a public hearing and asked that it should be in

¹ There are four other milk marketing boards, namely:—
The Scottish Milk Marketing Board.
The Aberdeen and District Milk Marketing Board.
The North of Scotland Milk Marketing Board.
The Milk Marketing Board for Northern Ireland.

private. The Regulations¹ provide that unless in any particular case we determine otherwise, we shall sit in private. We considered the views of the parties and decided that the hearing should take place in private.

5. This was the first occasion on which one of the Committees of Investigation had considered a complaint since 26th October, 1962, when new Regulations² came into operation empowering them to hear evidence from persons not called as witnesses by a party to the complaint. A press announcement was made on 26th November, 1962, inviting any person directly interested in the matter and wishing to be considered as a witness to communicate with us by 6th December, 1962. No offers of evidence were received in response to this announcement.

6. The complainants were represented by Sir Derek Walker-Smith, Q.C., and Mr. A. B. Dawson, instructed by Messrs. Biddle, Thorne, Welsford and Barnes. The Board were represented by Mr. D. A. Grant, Q.C., and Mr. Andrew Bateson, instructed by Messrs. Ellis and Fairhairn. We met to hear evidence and arguments on 2nd, 3rd and 4th January, 1963. Three witnesses were called on behalf of the complainants and one witness on behalf of the Board; their names and qualifications are set out in Appendix III. Various documents were exhibited. Copies of the proofs of evidence and other documents, together with a verbatim report of the proceedings, are submitted herewith.

The Complaint

7. In November, 1961, the Board's circular MMB 83, which is annexed to the letter of complaint, dated 16th August, 1962, in Appendix I, gave first details of a scheme (hereinafter called the Scheme) for differential payments to producers according to compositional quality of milk. On 21st August, 1962, the Board's Prescriptive Resolution No. 416, which is annexed to the complainants' representations in Appendix II, defined the Scheme, in which deductions for Class 'C' milk were 1d. per gallon less than those set out in circular MMB 83. The complaint is as to the basis of payment proposed under the Scheme for milk in respect of which there is a Channel Islands or South Devon Milk Premium Contract (hereinafter called Channel Islands milk).

8. The main provisions of the Scheme which are relevant are:—

- (a) producers' milk will be tested for fat, solids-not-fat and total solids, and will be classified into:—
 - Class 'A', if total solids average 12·6 per cent or more *and* average solids-not-fat exceed 8·4 per cent.
 - Class 'B', if not classified 'A' or 'C'.
 - Class 'C', if total solids average less than 12 per cent *or* the average solids-not-fat are not more than 8·4 per cent.
- (b) an addition of 2d. per gallon will be paid for all milk, *other than special premium milk*, in Class 'A' and a deduction of 2d. per gallon will apply to all milk, *other than special premium milk*, in Class 'C', except where total solids average less than 11·8 per cent in which case a deduction of 3d. per gallon will be made.

¹ The Agricultural Marketing (Committee of Investigation) Regulations, 1949, S.I. 1949 No. 2452.

² The Committee of Investigation (Amendment) Regulations 1962: S.I. 1962 No. 2320.

(c) milk in respect of which there is a Channel Islands or South Devon Milk Premium Contract is defined as "special premium milk".

9. The effect of these provisions is to exclude "special premium milk", which, it is generally recognised, will normally conform to Class 'A' standards, from both composition additions and deductions. The complainants seek the excision of the words "other than special premium milk", which would mean that their milk would normally qualify for the Class 'A' addition of 2d. per gallon instead of being treated as Class 'B' milk for the purposes of payment.

Price Guarantee Arrangements

10. Cow's milk is one of the agricultural commodities subject to a price guarantee by the Government in accordance with the provisions of the Agriculture Act, 1957. The guarantee is to each of the five milk marketing boards. In England and Wales all milk produced for sale has to be sold to or through the Board¹. The guarantee² operates on an annual basis from April to March in the following year and its terms may be briefly summarised³ as follows:—

- (a) a price (known as the Guaranteed Price) payable only for a quantity (known as the Standard Quantity) of milk
- (b) a price (known as the Lower Price) payable for the rest of the milk bought from farms, which is the average price which the Board are expected to obtain for milk for manufacture.

11. Following the annual review of the economic condition and prospects of the agricultural industry, held under the Agriculture Act, 1947, (hereinafter called the annual review), the Guaranteed Price for the whole of the United Kingdom is determined and at the same time the Standard Quantity is announced for each of the five marketing board areas. Subsequently the Guaranteed Price is broken down into five separate prices—one for each board area. In England and Wales for 1961/62 the Guaranteed Price was 38·3d. per gallon and the Standard Quantity was 1698·2 million gallons. Total sales of milk off farms were 2,050 million gallons. The net average price realised by the Board for manufacturing milk was 17·17d. per gallon, compared to a net return of 42·19d. per gallon for sales of liquid milk. For 1962/63 the Guaranteed Price was 37·9d. per gallon and the Standard Quantity was 1721·1 million gallons.

Prices paid to Producers

12. The Board buy all milk which any producer wishes to sell wholesale and a common form of contract is used. The Board also enter annually into contracts with milk distributors, who agree to take milk produced at the farms specified in the contracts. The distributors pay the same price for liquid milk and varying prices, according to the product, for manufacturing milk. Deductions are made for administrative and transport costs and adjustments are made in accordance with the guarantee arrangements with the Government. The Board pay the net proceeds monthly to producers. A common or "pool" price is struck but this is modified as between producers according to whether the milk is Tuberculin Tested (T.T.) milk or not, to the area and to the method of delivery.

¹ The Milk Marketing Board's Prescriptive Resolution No. 238, dated 19th July, 1955.

² The Milk (Guaranteed Prices) Order 1956, S.I. 1956 No. 363.

³ A detailed account can be found annexed to the complainants' representations in Document I of Appendix II to this Report.

The basic pool price payable to producers in 1961/62 averaged 30·33d. per gallon but, mainly because 94 per cent of the milk was sold as T.T. milk, for which producers received a premium of 4d. per gallon, the total average price paid to producers in that year was 34·49d. per gallon.

Retail Prices

13. In England and Wales the prescribed maximum retail price¹ for Channel Islands milk (other than farm bottled Channel Islands T.T. milk which is 10½d. per pint) is 10d. per pint and for ordinary milk is 8½d. per pint, a difference of 1s. 0d. per gallon. These are in fact the prices charged.

Premium Contracts

14. It is open to any producer to enter into a contract with his distributor for the payment of a premium. The Board are a party to such contracts but the premiums are not pooled, being paid to individual producers through the agency of the Board. The amounts paid are additional to the pool price received by the producer. Just over 200 of these contracts relate to a variety of services, such as supplying varying quantities of milk to a distributor on a day-to-day basis to meet his requirements, special delivery, or cooling, but the vast majority of them, almost 9,000, are for the supply of Channel Islands milk.

Channel Islands Milk

15. It has long been recognised that some consumers are prepared to pay a higher price for Channel Islands milk, which has a high butter-fat content and is distinguishable *inter alia* by its colour, its taste and the marked separation of its cream. In 1939 Regulations,² which are still in force, prescribed that milk containing less than 3 per cent of milk fat shall be presumed, until the contrary is proved, to be not genuine. In 1956, however, Regulations³ prescribed a minimum of 4 per cent milk fat for milk sold as Channel Islands milk. In the past ten years the annual quantity of Channel Islands milk on which premiums have been paid by buyers has more than doubled and the total value of premiums to producers has shown a four-fold increase.

16. The Complainant Company was formed in 1954, from supporters of the English Guernsey Cattle Society and the Jersey Cattle Society of the United Kingdom, and represents the interests of Channel Islands milk producers by negotiations both with the Board and with distributors, through sales promotion and advice and help to producers.

17. The Board negotiate Channel Islands Premium Contracts with the distributors, but, as in the case of all other premium contracts, receive the amount of the premiums from the distributors only as an agent and pay it to the producers concerned. A copy of the form of premium contract which is normally used for this purpose is annexed to Document 2 in Appendix I to this Report.

¹ The Milk (Great Britain) Order 1962, S.I. 1962, No. 1786.

² The Sale of Milk Regulations, 1939, S.R. and O. 1939, No. 1417.

³ The Milk and Dairies (Channel Islands and South Devon Milk) Regulations, 1956, S.I. 1956, No. 919.

18. The seasonal variations in the pool prices paid to milk producers are primarily designed to maintain an adequate winter output of milk and winter prices are therefore higher than summer prices. For the same reason the amounts of Channel Islands premiums show a similar seasonal pattern, varying at present from a maximum of 10d. per gallon in the winter months to 4d. per gallon in May and June. High production of Channel Islands milk in summer is further discouraged by the reduction of the premium to only 1d. per gallon in the months of March to August inclusive for any milk delivered in any of those months in excess of the average monthly quantity delivered under a producer's contract in the preceding period from October to January inclusive. This arrangement has the support both of the Board and of the complainants because it is felt that a regular supply of Channel Islands milk is desirable throughout the year to facilitate marketing. Excluding any milk on which only 1d. per gallon was paid, the average monthly premium paid by buyers to the Board, acting as agents for the producers, in the year ending 31st March, 1962, was 8d. per gallon; if the 1d. per gallon premium milk is included the figure is 7d. per gallon.

19. Whereas it has been the Board's recent policy to reduce the difference between summer and winter pool prices paid to producers, to avoid a surplus over the requirements of the liquid milk market at high winter prices, it is nevertheless agreed that the production of Channel Islands milk in winter still needs to be encouraged.

Classes of Milk

20. Broadly speaking, therefore, there are at present two main classes of milk, (1) "ordinary" milk, for which producers receive the pool price subject to the variations quoted, and (2) Channel Islands milk, for which producers receive the pool price plus their special premiums. Tests were carried out by the Board in 1960/61 from which they estimate¹ that the total solids content of ordinary milk varies, as between producers, from something under 11·7 per cent to just over 13 per cent. At present, producers of ordinary milk receive exactly the same price whether their milk is of high or low quality, although until October, 1962, the Board and the distributors operated a butter-fat penalty scheme whereby all wholesale milk supplies were tested and producers' prices were reduced by varying amounts if the butter-fat content of their milk failed to reach certain levels.

Objects of Scheme

21. It was in these circumstances that the Scheme described in paragraph 7 and 8 hereof was introduced. It is intended to make payments from 1st October, 1963. The basis of the Scheme is a direct incentive to the production of better quality milk by means of deductions from the price for Class 'C' which would be used to finance the payment of additions to the price of the highest class, 'A'. The result that is intended by the Board is that the price of standard class, 'B', (which is estimated to contain about two-thirds of all milk sold to the Board) will be unaffected.

¹ See Appendix IV.

Complainants' Case

22. The complainants' case can be summarised as follows:—

Channel Islands milk producers suffer all the burdens of membership of the pool including the loss on manufacturing milk. It therefore follows that they have "an equal, equitable and inalienable right to the benefits of the pool and in the re-division of pool funds which is all that is in fact implicit in this Scheme". Channel Islands milk normally satisfies the compositional standard for inclusion in Class 'A' under the Scheme and the sole reason for its exclusion from payments to be made to that class is that the producers receive a premium under their individual contracts. These contracts, however, and the premiums paid under them, are outside the Milk Marketing Scheme. The premiums do not form part of the pool funds and are not taken into account at the annual review. They are paid by the distributor to the Board who receive them only as agents of the producer. The Board prescribe neither the amounts of the premiums nor the conditions relating to them. By contrast, 224 producers who hold premium contracts for special services, as opposed to contracts for Channel Islands milk, will receive payment under the Scheme according to the quality of their milk.

It is quite unreasonable for the Board to differentiate between Channel Islands and other milk producers in this Scheme since hitherto and without exception all producers have always been treated on an equal basis irrespective of any special circumstances of any particular group. For example, the Board:

- (i) refused to allocate any part of publicity funds, collected from all producers, to advertise Channel Islands milk,
- (ii) recently introduced a change in the seasonal price emphasis to encourage summer production of ordinary milk, but refused to pay Channel Islands milk producers, who should produce more milk in the winter, a pool price with a different seasonal emphasis,
- (iii) refused to introduce a pool for Channel Islands milk which would have ensured that Channel Islands milk producers would have been affected only by market factors directly arising from the production and sale of their own product. Under the existing arrangements Channel Islands milk producers suffer the losses on manufacturing milk to a greater extent than ordinary milk producers. As a general rule producers of poorer quality milk produce larger quantities and therefore contribute more to the surplus which cannot be sold to the liquid milk market. Furthermore the lower quality of their milk reduces the price paid for manufacturing milk and increases the deficit shared by all producers, including Channel Islands milk producers.

There is a shortage of Channel Islands milk and an unsatisfied public demand for it. It is therefore as important in the public interest to encourage the production of Channel Islands milk as it is to encourage the production of better quality ordinary milk. If Channel Islands milk producers do not receive Class 'A' payments their position in relation to producers who receive such payments will be disadvantageous, particularly in summer. They

may therefore find it more profitable either to downgrade their herds by using another breed of bull or to mix their herds by buying cows of other breeds yielding a larger quantity of milk of low fat or solids-not-fat content, thus increasing their herd's output but nonetheless qualifying for Class 'A' payment, although ceasing to supply Channel Islands milk.

The Board's Reply

23. The Board's reply can be summarised as follows:—

Before the introduction of the Milk Marketing Scheme in 1933, competition among producers to sell to the liquid market resulted in an unprofitable price for liquid milk and there was clearly a need for a high degree of regulation of individual producers. The Milk Marketing Scheme introduced such regulation and was therefore acceptable to producers. Today, with improved methods of transporting and handling milk and with a considerable difference in returns from liquid and manufacturing milk, which, for example, averaged approximately 3s. 6d. and 1s. 5d. per gallon respectively in 1961/62, it is even more important that all producers should share both the profitable liquid market and the unprofitable manufacturing market. But, although insisting that Channel Islands milk producers in common with all other producers should share the two markets, the Board have always allowed them to keep the special premiums their milk earns. As first buyer and seller of all milk the Board, with Government approval, could, if they wished, negotiate directly with distributors for a higher price for Channel Islands milk and could put the proceeds into the pool. If this were done there would be no Channel Islands premiums as such and the extra proceeds would be taken into account at the annual review. In fact the Board had successfully resisted a Government proposal that extra receipts from the sale of Channel Islands milk should be treated in this way.

The Board are a party to all Channel Islands premium contracts and, although they do not prescribe premiums and conditions relating to them, they play a large part in contract negotiations both on behalf of producers represented by the complainants and other Channel Islands milk producers. They are active in their efforts to secure such contracts for the benefit of producers.

In the public interest the quality of ordinary milk should be improved and the Scheme sets out to do this by encouraging the production of high quality ordinary milk and discouraging the production of low quality ordinary milk. Channel Islands milk is almost entirely segregated from ordinary milk. The small percentage which is bulked with it does not form a significant part of the ordinary milk supply. Increased supplies of Channel Islands milk, therefore, would not improve the quality of ordinary milk to any appreciable extent. The Scheme is a re-division which affects only the producers of ordinary milk; Channel Islands milk producers will receive the same as they would have done if the re-division had not occurred. If part of the Scheme's funds were paid to Channel Islands milk producers it would in effect reduce the incentive to produce high quality ordinary milk and would not therefore be in the public interest.

Although Channel Islands milk normally satisfies the compositional standard for inclusion in Class 'A', it would be inequitable and therefore not in the public interest for producers to receive, as a reward for the quality of their milk, both the Channel Islands premium and Class 'A' composition addition, the latter at the expense of ordinary milk producers or a section of them. Admittedly the holders of 224 special service premium contracts will receive payments under the Scheme according to the quality of their milk but their premiums, unlike those of the Channel Islands milk producers, are mainly paid for special reasons other than the quality of their milk.

Conclusions

24. In the Board's representations and in their Chairman's proof of evidence it was asserted that the Board, if they wished, could themselves market Channel Islands milk at a price higher than that for ordinary milk and pay the extra monies into the pool for distribution to all producers. During the course of the hearing the complainants submitted that under the terms of proviso (a) to paragraph 60 of the Milk Marketing Scheme, the Board, when grading milk, could not, without the consent of the Minister, use any designation other than one specifically authorised in regulations made under the Food and Drugs enactments¹. Channel Islands milk had not been the subject of a special designation by such regulations. The complainants therefore contended that there was substantial doubt as to the Board's powers to act in the way they had suggested. In reply the Board referred to sub-paragraph 59(c) of the Milk Marketing Scheme and said that the Minister's consent was only required to the grading of milk and that there was no apparent reason why Channel Islands milk should not be bought and sold without grading. In any event, before any action of this kind was taken the Minister's consent would in fact be sought in accordance with arrangements between the Board and the Minister. In his closing address Counsel for the complainants submitted that the Board would be obliged to grade the milk unless they were able and willing to give warranties. We do not consider that we are called upon to comment in detail upon these points, more especially as it became clear during the course of the hearing that the present arrangements for the collection of the Channel Islands premiums were acceptable to both parties and were therefore most unlikely to be replaced by alternative arrangements to which the Board had referred.

25. In Annex 'B' to their representations the complainants sought to demonstrate that increased production and sale of Channel Islands milk assists the development of the ordinary milk market. A report prepared by the British Market Research Bureau Limited on a consumer survey relating to Channel Islands milk was adduced in evidence in support of this argument and witnesses for the complainants spoke to this document. We are not satisfied, however, that the complainants' contention was substantiated.

26. It was common ground that Channel Islands milk which, as we have said, is required by statute² to contain not less than 4 per cent of milk fat, will normally conform to Class 'A' standard. If Channel Islands milk producers do not

¹ See section 35 of the Food and Drugs Act, 1955.

² The Milk and Dairies (Channel Islands and South Devon Milk) Regulations, 1956, S.I. 1956, No. 919.

receive Class 'A' payments they will appear to be less well placed in relation to producers of high quality ordinary milk than they are at present. The fact is, however, that for many years these latter producers have by their efforts been instrumental in raising the average quality of ordinary milk without any particular benefit to themselves, whereas Channel Islands milk producers have long since obtained special premiums, now averaging about 7d. per gallon, by keeping most of their high quality milk out of the pool and consequently have not helped to raise the quality of ordinary milk.

27. We consider that the essence of the Scheme is to pay a better price for a better product. For many years this has been the rightful due of the Channel Islands milk producers who receive a higher price for their milk than ordinary milk producers. It is true that they suffer the burdens of the pool, including the loss on manufacturing milk, but this is an essential part of the Milk Marketing Scheme under which the pool price paid both to Channel Islands and other milk producers is no doubt much higher than if there were no such scheme. If Channel Islands milk producers were to receive Class 'A' payments they would in fact be receiving a double premium for the extra value of their milk, and we do not consider that the complainants have succeeded in making out a case to justify such payments.

28. Some considerable time was taken up in discussing details of how the Scheme would be administered. It was common ground that if Class 'A' payments were to be made to Channel Islands milk producers the probable additional cost initially would be in the region of £850,000 per year rising to over £1 million per year in succeeding years. Although the Board had not contemplated making Class 'A' payments to Channel Islands milk producers, they were confident that, if necessary, ways and means of meeting the cost could be found, as for instance by reducing the amount of the Class 'A' payment. The complainants suggested a number of possible methods, for example, by retaining the deductions of 3d. and 4d. per gallon for Class 'C' milk as originally proposed in the Board's circular MMB 83, by raising the standard for Class 'C' milk, thereby putting more producers into that category, or by fractionally reducing the price for Class 'B' milk. We do not feel that we are called upon to concern ourselves with these details, being primarily obliged to consider the principles involved as opposed to the detailed method in which the Scheme could or should be administered.

29. However, we wish to make it clear that we have considered the complaint on the basis that, taking one year with another, any payments under Class 'A' will be balanced by Class 'C' deductions. If there was any suggestion that the result of the Scheme would be to diminish Class 'B' payments for the benefit of a class from which, for the purposes of payment, Channel Islands milk producers were excluded, we are of opinion that this would be both inequitable and contrary to their reasonable¹ interests. The price payable for Class 'B' milk should not be affected in any way by the Scheme. In these circumstances we consider that the Scheme is not contrary to the complainants' reasonable interests so long as they do not have to contribute in any way towards Class 'A' payments.

¹ In our terms of reference we have regarded the word "interests" as being qualified by the word "reasonable" as did the Committee of Investigation which reported in 1962 on complaints as to the operation of the British Wool Marketing Scheme, 1950.

30. We had no real evidence to support the complainants' suggestion that Channel Islands milk producers might in fact downgrade or mix their herds if they did not receive Class 'A' payments in addition to their present premiums. The point was not raised in the letters of complaint, in the complainants' representations or in proofs of evidence. It was first mentioned by a witness for the complainants during cross-examination. Even if a producer should decide that it would be more profitable for him to run a mixed herd in order to obtain increased yields and Class 'A' payments than to retain his pure-bred herd and the Channel Islands premiums, we think that it could hardly be said to be against his interests if by forgoing his premiums he would thereby profit. It might be contrary to the interests of the Herd Societies and some consumers of Channel Islands milk but the quality of ordinary milk would be improved and the majority of the general public would consequently benefit.

31. On the assumptions we have made in paragraph 29 we have come to the conclusion that the act of the Board in excluding Channel Islands milk, as referred to in paragraph 7 hereof, from Clause 7 of the Scheme, defined by their Prescriptive Resolution No. 416, is not contrary to the reasonable interests of the complainants. It is open to us to comment on the question of public interest but in the light of the evidence we do not consider that the public interest is substantially affected.

32. Finally we would like to thank our Secretary, Mr. A. Mitson, most sincerely for his courtesy and efficiency and the very great help that he consistently gave to us during the whole of this Inquiry.

We have the honour to be, Sir,
Your obedient Servants,

DAVID KARMEL
E. W. CRAIG
J. A. JACKSON
ALIX MEYNELL
JOHN RYAN

A. Mitson (*Secretary*)
7th May, 1963.

Appendix I

Document 1

Agricultural Marketing Act, 1958

The Minister of Agriculture, Fisheries and Food in pursuance of the powers conferred upon him by sub-section (3) of Section 19 of the Agricultural Marketing Act, 1958, hereby directs the Committee of Investigation for England and Wales to consider, and report to him upon, the complaint as to the operation of the Milk Marketing Scheme, 1933 (as amended), which has been made by Quality Milk Producers Ltd. of 16, High Street, Chesham, Bucks, as set out in the letters dated 16th August, and 5th October, 1962, copies of which are appended hereto.

The Minister invites the Committee, without prejudice to any relevant matter upon which the Committee may wish to observe, to report in particular whether any act or omission of the Milk Marketing Board, of which act or omission complaint has been made in the above-mentioned letters which are the subject of the present direction, is contrary to the interests of consumers of milk, or is contrary to the interests of any persons affected by the Scheme and is not in the public interest.

IN WITNESS whereof the Official
Seal of the Minister of Agriculture,
Fisheries and Food is
hereunto affixed this 17th day of
October nineteen hundred and
sixty-two.

L. S.

(Sgd.) J. M. GRANT

Authorised by the Minister.

Appendix I

Document 2

Quality Milk Producers Ltd.,
16, High Street, Chesham, Bucks.
16th August, 1962.

The Minister of Agriculture, Fisheries and Food,
Whitehall Place,
London, S.W.1.

Sir,

S. 19 Agricultural Marketing Act, 1958

1¹. I have been instructed by the Board of Directors of Quality Milk Producers Ltd., (the complainants) which represents 6,000 members who produce approximately 75 per cent of the Channel Islands Milk produced in England and Wales, that is to say about 80 million gallons annually, to make an official complaint regarding the operation of the Scheme constituted by the Milk Marketing Scheme 1933 (as subsequently amended) as administered by the Milk Marketing Board of England and Wales and to request that the Committee of Investigation appointed under S. 19 of the Agricultural Marketing Act 1958 shall be directed to consider such complaint. This complaint is also supported by the Jersey Cattle Society of the United Kingdom and the English Guernsey Cattle Society whose members breed all the registered pedigree Jersey and Guernsey cows bred in England and Wales and many of whom are also members of Quality Milk Producers Ltd.

2. The complaint is of a certain act of the M.M.B. for England and Wales, namely the proposal to introduce a certain milk quality payments scheme made by the Board (purportedly) under the Milk Marketing Scheme 1933 as amended. The proposal is set out in a memorandum M.M.B. 83, a copy of which is annexed. The provision of the payments scheme complained of is that which excludes from the highest payment class (Class A) milk supplies which satisfy the Class A compositional standards but in respect of which there is in existence a Channel Islands or South Devon premium contract (hereinafter called C.I. premium milk). This provision is complained of as being contrary to the interests of producers of C.I. premium milk and not in the public interest.

3. The principal grounds on which the complainants say that the provision complained of is contrary to the interests of such producers are as follows:—

4. (1) The Milk Marketing Board of England and Wales have announced their intention of introducing a quality payments scheme that will discourage the production of milk of poor compositional quality and reward those who produce better milk. The payments scheme is a reallocation of pool funds among producers and the scheme relates only to supplies under a wholesale contract; it will not affect producer retailers who will continue to receive, as producers, at least the full guaranteed price. The basis of the

¹ For ease of reference at the hearing, the Committee numbered the paragraphs of this letter serially. The paragraph references in Appendix II, Document 2, paragraphs 9 and 14 are to these numbers.

scheme is the division of milk supplies into three grades based on total solids and minimum solids not fat standards. Class A supplies will be paid the highest pool price, Class B supplies will be paid 2d. per gallon less than Class A and Class C supplies 3d. and in some cases eventually 4d. less than Class B. The Milk Marketing Board state that they expect that the average price paid to Class B producers will be equal to, or slightly greater than, the present average pool price for all milk supplies. This depends entirely, unless the standards are altered, on the accuracy of the Milk Marketing Board's forecast of the quality of all future milk supplies. Supplies will be placed in Class B, even when they would otherwise qualify for Class A or C if there are less than ten complete test results for total solids in the preceding twelve months or if there is in force a valid Channel Islands or South Devon contract. The Milk Marketing Board have said they would consider placing C.I. producers in a separate class but pay them the Class B price which is the same as leaving them in Class B.

5. (2) Normally C.I. premium milk will satisfy the compositional standards laid down for Class A supplies.
6. (3) The Channel Islands premium contract between the Milk Marketing Board, the producer and the distributor is something quite outside the Milk Marketing Scheme: it is not within paragraph 64 which relates to purchases by the Milk Marketing Board, nor is it within paragraph 68, since (a) the contract premiums are not paid by the Milk Marketing Board, but by the distributor to the Board "for the producer" and (b) no premiums have been prescribed by the Milk Marketing Board nor have any conditions been prescribed. A copy of the form of premium contract normally used, reference C.I.P. 61, is attached. It will be noted that this form of contract refers to the milk as already having been bought without any special designation by the Board from the producer and sold by the Board to the distributor prior to the premium contract being entered into. The premiums never form part of the pool funds. Further it is noted that the receipts from Channel Islands and South Devon premiums are not taken into account in Price Review considerations for the reason that they are outside the Milk Marketing Scheme. It is observed that it is only the Channel Islands and South Devon premiums of all the special service premiums earned by producers outside the Milk Marketing Scheme which are to be taken into account within the quality payments scheme. These other premiums are small in amount and of decreasing importance but they do exist. In the present case the only reason given for proposing to place C.I. premium milk in Class B is the existence of a premium paid by a third party to the producers. But the premium payment is not within the Marketing Scheme and is not made from pool funds.
7. (4) The Milk Marketing Board have always insisted that they cannot depart from the principle of treating all producers on the same basis regardless of the special circumstances of any group. This quality payments scheme deals only with pool money, i.e. funds available for payment of milk producers arising from the Milk Marketing Board's entitlement under the Price Guarantee arrangements and their receipts from the sale of milk produced in excess of the standard quantity and sold for manufacturing purposes. Every disadvantage or advantage of the pooling system is borne by Channel Islands producers on precisely the same basis as all other milk producers. Examples are as follows:—
8. (a) Channel Islands producers in a particular region receive the same regional price as all other producers in the same region and pay the

same transport rates. They bear the same diminution of their guaranteed price by reason of milk produced in excess of the standard quantity and suffer equally with other producers any adverse effect that the production of low quality milk has on producers' overall returns.

9. (b) Channel Islands producers who have a Tuberculin Tested licence receive the same Tuberculin Tested pool price as other Tuberculin Tested producers whether or not there is a Tuberculin Tested Channel Islands contract in existence.
10. (c) When Channel Islands producers asked the Milk Marketing Board to treat their milk on the basis of a separate pool for a separate and distinct product with the effect that Channel Islands producers would then only have been affected by market factors directly arising from the production and sale of their own product, the Board refused apparently because they considered that all producers must be treated alike.
11. (d) When the Milk Marketing Board changed the price emphasis of the monthly prices to encourage summer production of ordinary milk this was contrary to the interests of Channel Islands producers who should produce more winter milk. The Board refused to pay Channel Islands producers a pool price with a different seasonal emphasis but producing the same weighted average over the year, because all producers had to be treated alike.
12. (e) When the Technical Study Group, on which the Milk Marketing Board was represented, reported upon quotas it stated that Channel Islands milk must be included in any quota system although there was a shortage of Channel Islands milk. This decision was apparently based on the same principle of treating all producers alike.
13. (f) When the Milk Marketing Board were asked to allocate part of the funds, paid by Channel Islands producers under the general publicity levy on all producers, towards advertising Channel Islands milk, they refused on the grounds that they were unable to take account of the special interest of any group of producers.
14. (g) When the Milk Marketing Board were asked to publish Channel Islands premium rates each month in the "Milk Producer" as a service to these producers they refused on the grounds that the Channel Islands premium is like any other premium, namely it is one freely negotiated between producers and buyers *and is additional to producers' pool prices*, the premiums are not fixed or prescribed rates and therefore the Board will not publish the rates on the price page of the "Milk Producer" which is the official monthly journal of the Milk Marketing Board.
15. (5) It has been said by the Board that
"the pool, of course, refers solely to price and is the mechanism by which realisations in the market are averaged so far as they apply to the basic price from which premia—and consequently deductions—are excluded. The pooling system reflects the principle whereby costs applying to the industry as a whole are shared between producers. These costs are those of administration, research, sales promotion and, primarily, the loss on manufactured milk" (Letter of 26th January, 1962). It has then been said that after this basic point there are two distinct markets the Channel Islands market, which obtains a premium from the consumer, and the ordinary milk market.

16. If these are the principles the complainants do not understand why the Board have acted in direct contradiction to these principles as shown in paragraph 4, sub-paragraphs (d), (e) and (g). Also the statement that "premiums and consequently deductions are excluded" from the mechanism of the pool, when they arise from or are paid out of pool money, is not accepted. It is a direct contradiction of the treatment of Tuberculin Tested premiums, regional price differentials and transport rates and also the way in which the present butterfat penalty scheme operates.

17. (6) The complainants have been told by the Milk Marketing Board that the proposed Quality Payments Scheme will be introduced whether or not the Board are able to carry out their intention to introduce a separate grade of ordinary milk for sale at a higher retail price and thereby earn additional money for milk producers. Although not referred to in the Board's proposed quality payments scheme this proposal for a second grade of ordinary milk has been connected with it when it has been suggested that to the extent that the difference between the pool price for Class A milk and Class B milk is obtained from the premium earned from the sale of this separate grade it would be unfair for C.I. producers to benefit from this as well as to receive their own premium. Whilst it is difficult to comment on a hypothetical scheme this opportunity is taken to make it quite clear, as it has already been made clear to the Milk Marketing Board, that, in the complainants' opinion, these additional premium earnings, provided they in fact augment the pool funds being received in addition to the guaranteed price for the standard quantity which would otherwise be payable to the Board, should be paid to those producers who produce the milk sold under the new grade, and neither should nor need benefit Channel Islands milk producers.

18. The principal grounds on which the complainants say that the provision complained of is not in the public interest are as follows:—

19. 1. In their report (S.O. Code No. 24-134) the Whitehead Committee said:—
(p. 6)

"With regard to the term 'public interest' we do not accept the contentions submitted on behalf of the Board as to the limited meaning to be attached to these words. We think that a wider view should be taken and that, having regard to the nature of the statute, the overriding consideration should be whether or not any provision of the Scheme or act or omission of the Board will encourage or discourage, as the case may be, the supply of an adequate quantity of good milk to the public at a fair and reasonable price and/or the consumption of such milk by the public." . . . "We take the view (however) that to prove that an act is not in the public interest is a different thing from having to prove that it is contrary to the public interest. The change in the language of the section emphasises this point. An act may be one which is in the public interest, or one which is contrary to the public interest, or one which concerns the public so little that it cannot be said to be either in or contrary to the public interest. Of course, if an act is contrary to the public interest, it is necessarily not in the public interest. On the other hand, in many of the matters which arise in agricultural pursuits, an act may be not in the public interest without being absolutely contrary to the public interest. For example, there might be some subsidiary provision in a contract for the wholesale purchase of milk which was of little or no importance from the standpoint of public interest, though it might be of great importance to the parties. In such circumstances we feel that, when we are satisfied that a complainant has shown that he is injured, it is only necessary for him to show that the act or

omission complained of is not in the public interest. To insist that he should show that the act is contrary to the public interest might make it impossible for him to get any relief."

20. 2. The Milk Marketing Board have stated that the purpose of their Quality Payments Scheme is to discourage the production of milk of poor compositional quality and reward those who produce better milk (paragraph 2 M.M.B. Memorandum Ref. 83 announcing the Scheme).

21. 3. It is not suggested that this scheme as a whole is not in the public interest. It is, however, submitted that it is as important to encourage the production of Channel Islands milk, of which there is an acknowledged shortage and unsatisfied demand by the public, as it is to encourage the production of ordinary milk of 12.6 per cent or more total solids and the discrimination against C.I. premium milk producers (by excluding them from Class A payment) is not *in* the public interest.

22. 4. It is suggested that the only case in which the exclusion of C.I. producers from Class A payment could be justified as being *in* the public interest is if their inclusion would so adversely affect the scheme that it could not operate. The inclusion of C.I. premium producers in Class A would not affect the Class C producers, the penalty on whose milk is at least as important a feature, if not more important, than the premiums to be paid to Class A producers. It appears from the Milk Marketing Board's figures that if the C.I. premium producers are put into Class A the premium to Class A can still be 2d. per gallon and at the same time leave the Class B producers fractionally above the price at which the pool would have been fixed but for the quality scheme.

23. The remedy which the complainants propose is the excision of the provision complained of from the proposed payments scheme.

I am Sir,

Your Obedient Servant,

(Signed) ERIC J. BOSTON

Chairman, Quality Milk Producers Ltd.

A SCHEME FOR DIFFERENTIAL PAYMENTS TO PRODUCERS
ACCORDING TO COMPOSITIONAL QUALITY OF MILK

The Board have for many years had under consideration the question of whether producers should be paid a price based on the compositional quality of the milk sold. Much has been done to improve the quality of the nation's milk supply: the Attested Herds Scheme, the T.B. Eradication Scheme, the industry's own Hygienic Control Scheme, and the Butterfat Testing Scheme. The Cook Committee recommended that the dairy industry should now pay more attention to the solids-not-fat content of milk and that differential payments schemes to cover all ex-farm supplies sold by wholesale should be introduced as soon as possible incorporating the Butterfat Testing Scheme on its present lines and a similar scheme for solids-not-fat.

The Board believe that the time has arrived when a simple scheme for payment on a quality basis should be introduced, a scheme that would discourage the production of milk of poor compositional quality and reward those who produce better milk.

After careful consideration of the alternatives the Board favour a single scheme based on total solids rather than schemes based on butterfat alone, solids-not-fat and protein. The use of total solids as a measure of quality would be in the Board's view a sensible compromise between the many conflicting views expressed on this subject; some hold that butterfat alone is enough, since solids-not-fat follow improvement in butterfat, while the Cook Committee recommends two improvement schemes, one for fat, the other for solids-not-fat. The Board believe, moreover, that a scheme based on total solids would be easy to understand and simple to administer. It would give an indication of the total food content of milk and would be a fair basis for determining the relative value of ex-farm milk supplies sold by wholesale. Testing for total solids could be introduced by the industry reasonably soon since a high proportion of purchasing dairies already have the facilities for carrying out the tests and arrangements could be made for testing the remaining supplies.

Nevertheless, the view has been strongly expressed by nutritionists (a view supported by the Cook Committee) that it should not be possible for a high total solids content of milk to be maintained by high fat without regard to the solids-not-fat. A suggestion has been made, therefore, that any scheme for differential payments which is based on total solids should incorporate an arrangement whereby milk paid for at standard or premium prices should contain a minimum proportion of solids-not-fat. The Board are agreeable to this suggestion and are proposing that this solids-not-fat proportion must exceed 8.4 per cent.

The scheme is as follows:—

- (1) All supplies under a wholesale contract will be sampled and tested once each calendar month for butterfat and solids-not-fat and the total solids content will be measured.

- (2) Sampling and testing will be carried out by the first hand buyer of the milk in accordance with the Rules to be agreed by the Joint Committee of the Board and the Central Milk Distributive Committee.
- (3) Test results will be entered by the Buyer on a Laboratory Record Card (provided by the Board) and such cards will be in the safe custody of the Buyer until called for by the Board at the end of a twelve months period and thereafter at the end of each March and September.

- (4) When test results are available for a full year following the introduction of the Scheme the Board will determine the annual average total solids figure for the supply by adding the total solids figure for each month and dividing by the number of months for which full test results are available. Supplies averaging 8.4 per cent snf or less will be segregated. (If less than ten monthly results are available, the supply will be dealt with as set out in paragraph (6)).

In calculating the annual average total solids for purposes of this Scheme, the Board will determine the figure to the second place of decimals only. No rounding up by reason of a third decimal figure will be allowed.

- (5) All supplies for which there is a calculated average will be divided into one of three classes:

Class A

All supplies with an annual average total solids of 12.6 per cent or more, provided the snf average is greater than 8.4 per cent, will be placed in this class (see exceptions in paragraphs (6) and (9)). This class is estimated to contain 20 per cent of supplies and the gallonage should not greatly exceed 15 per cent of the total ex-farm gallons.

Class B

All supplies with an annual average total solids of less than 12.6 per cent but of 12 per cent or more, provided the snf average is greater than 8.4 per cent, (plus the supplies listed as exceptions in paragraphs (6) and (9)) will be placed in this class. It is estimated that 68 per cent of supplies and about 67 per cent of the gallonage (excluding C.I. and South Devon milk) will be in this class.

Class C

All supplies of an annual average total solids of less than 12 per cent and all those whose snf average is 8.4 per cent or less will be placed in this class. It is estimated that 12 per cent of supplies and up to 18 per cent of the total ex-farm gallons will fall into this class.

- (6) Any supply about which there is insufficient evidence to justify classification or for any of the following reasons, will be placed in Class B:
 - (a) if there are less than ten complete test results for total solids in the preceding twelve months;
 - (b) if during the last month of the period under review there is in force a valid Channel Islands contract in respect of the supply;
 - (c) if there is in force during the last month of the period under review a South Devon contract in respect of the supply.
- (7) On the expiry of six calendar months after the first classification all supplies will have their annual averages recalculated in the light of the results for the period of the preceding twelve months. This procedure will be repeated each half year. Any changes of class resulting from this half yearly calculation will become operative from the months of November and May each year and producers will be notified of any changes.

No change of class will be made if the results for ten or more months are not available for the preceding twelve months.

(8) Prices will be paid according to class:

- (a) Producers with Class A supplies will receive a premium of 2d. per gallon over the Standard Price for every gallon sold to the Board during the period in which their supply or supplies are in Class A.
- (b) Class B supplies will receive the Standard Price for every gallon supplied while in the class. On the basis of the present estimates and levels of premium and penalty, it is anticipated that the Standard Price will, if anything, be slightly higher than the present pool price.
- (c) Producers of Class C supplies will receive the Standard Price less 3d. per gallon while in this class. After a period of twelve months in this class, if the annual average total solids figure falls to below 11.8 per cent an additional 1d. per gallon, i.e. 4d. per gallon less than the Standard Price, will be paid for such time until the annual average, as determined at the six monthly recalculations, again rises to 11.8 per cent or more, or until the supply is removed from Class C.
If the number of test results is less than ten, the supply will remain under the same penalty as was operative before the recalculation.

- (9) In the event of there being in existence on the introduction of the Scheme a Channel Islands or South Devon Contract in respect of a producer's supply, that supply will be placed in Class B. In the event of the loss of such a contract the supply will be upgraded to Class A in the month following the loss of the contract, provided that there is evidence that the total solids level warrants this classification.
Premiums payable under Channel Islands or South Devon Contracts will be paid over and above the Standard Price and such premiums will be outside this Scheme.
- (10) The present Butterfat Testing Scheme will cease to operate from the date of the introduction of this Scheme.
- (11) Buyers will notify producers each month of the result of the monthly tests for butterfat, snf and the total solids.
Failure to notify a producer will not, however, invalidate the results of monthly tests. Control over the accuracy of sampling and testing will be ensured by the Liaison Chemist Service in the same manner as it has been in the Butterfat Testing Scheme, and the control will be extended to cover testing for solids-not-fat and the computation of total solids.
If at any time a producer is dissatisfied with the dairy test results, he should immediately notify the buyer and the Regional Office of the Board. Complaints will be investigated by the Liaison Chemist Service and Quality Milk Department at Thames Ditton, and if necessary this investigation will include tests carried out at the farm as well as at the buyer's premises. The Board's decision as to whether or not a test is to count will be final.
- (12) If a producer supplies more than one buyer the responsibility for balancing the quality of the consignments sent to each buyer will lie with the producer. The class in which each separate supply is placed will depend solely on the test results for that supply over the twelve months.

A summary of the main features of the Scheme

This is a grading scheme where the price paid to the producer will depend on the quality of milk delivered in a recent period. All producers will have the initial qualifying period of twelve months under full testing before the initial

classification and will be able during this period to take such steps as are necessary to attain the class they feel they can economically reach. Thereafter a producer who has made progress has an opportunity to change class after six months.

This is a Milk Marketing Board scheme which will be operated in co-operation with the dairy trade. Supervision and control of sampling and testing lies with our Liaison Chemists who are well regarded by both sides of the Industry.

MMB 83

Milk Marketing Board
November, 1961.

Appendix I
Document 2, Annex 'B'

CLP.61

SEC. 1/T21/10/61

Milk Marketing Board's Premium Contract

(Channel Islands Milk)

A Contract

made the

day of

19

BETWEEN

1.

2.

Name _____

Address

No.

(herein called "the Producer")

(herein called "the Distributor")

3. The MILK MARKETING BOARD of Thames Ditton, Surrey (herein called "the Board").

RECITALS.

1. The Producer has agreed to sell to the Board milk produced by him at his farm at _____ (hereinafter called "the said farm") and the Board have agreed to sell the same to the Distributor.

2. The Distributor has agreed to pay premiums for the benefit of the Producer in respect of Channel Islands milk produced and sold as aforesaid, subject however to the following terms.

OPERATIVE PART.

1. For the purposes of this contract, "month" means any of the twelve calendar months; "Channel Islands milk" means milk which complies with the warranties set out in clause 8 hereof; "premium" means a premium payable under this contract.

2. This contract shall take effect from.....
and shall remain in force as long as milk produced by the Producer at the said farm continues to be sold by the Board to the Distributor unless previously terminated by any party giving to each of the others a month's notice in writing expiring on the 30th September in any year. If at any time the Producer decides to cease producing milk at the said farm, or decides to make any substantial change in the proportion of such milk which he will sell, or if at any time the Distributor decides to cease buying such milk (whether on the sale of his business or otherwise), the Producer or Distributor as the case may be will give to the other

as long notice as practicable of his decision, and shall be deemed to have committed a breach of this clause if he gives less than three months' notice, unless he proves that he gave notice as soon as it was reasonably practicable to do so.

3. The Producer hereby agrees with the Distributor and with the Board that he will sell to the Board for delivery to the Distributor the appropriate proportion of the Channel Islands milk produced for sale at the said farm. "The appropriate proportion" means the whole

or such other proportion as may be (a) agreed in writing at any time between the Producer, the Distributor and the Board, or (b) notified in writing by the Producer to the Distributor and the Board by one month's notice expiring on 30th September in any year.

4. Subject to the provisions of this contract, the Distributor will pay to the Board for the Producer in respect of Channel Islands milk produced at the said farm and delivered to the Distributor:

(a) The following premiums (subject to alteration as herein mentioned), namely:

For milk delivered in October, November, December, January, September; 10d. per gallon.

For milk delivered in August, except for such part of the milk delivered as is in excess of the standard quantity defined below; 9½d. per gallon.

For milk delivered in February; 9d. per gallon.

For milk delivered in July, except for such part of the milk delivered as is in excess of the standard quantity defined below; 6d. per gallon.

For milk delivered in March, April, except for such part of the milk delivered in any month as is in excess of the standard quantity defined below; 5d. per gallon.

For milk delivered in May, June, except for such part of the milk delivered in any month as is in excess of the standard quantity defined below; 4d. per gallon.

For milk delivered in excess of the standard quantity in any of the months March, April, May, June, July, August; 1d. per gallon.

"Standard Quantity" means one quarter of the total quantity of Channel Islands milk delivered by the Producer pursuant to this contract in the period of four months ending on the 31st January which last expired subject to the proviso that (i) if the contract takes effect from a date between any 1st October and the next following 31st January then until the next following 1st October the standard quantity shall be a quantity representing the average monthly gallonage delivered by the Producer in the period from the commencement of the contract until the next following 31st January, and (ii) if the contract takes effect from a date between any 31st January and the next following 1st October then until such next following 1st October the standard quantity shall be such a quantity (if any) as may be agreed between the parties.

The said premiums having been agreed on the assumption that the statutory maximum retail price for Channel Islands milk will exceed the statutory maximum retail price for ordinary milk by 12d. per gallon in every month of each year starting 1st October, it is hereby agreed that if in any such year the said retail price for Channel Islands milk exceeds the said retail price for ordinary milk otherwise than as aforesaid, then the said premiums shall if the Joint Committee so decide be altered for such month or months and to such amounts as the said Joint Committee decide. The Joint Committee mentioned in this clause means the Joint Committee referred to in paragraph 66 of the Milk Marketing Scheme 1933.

If the Producer and Distributor agree on any additional premium and/or a premium for level delivery, they should also complete paragraph (b) and/or (c).

- (b) An additional premium of.....d. per gallon on all such milk in consideration of:—

 (c) An additional level delivery premium of.....d. per gallon for all such milk delivered on any day when the quantity delivered is not above or below.....gallons by more than.....per cent., but in consideration of this additional level delivery premium it is agreed that if the total milk delivered as Channel Islands milk on any day exceeds the last mentioned quantity, the Distributor shall not be obliged to pay any premium on the excess under any of the paragraphs of this clause; provided that the Distributor shall not re-sell as Channel Islands milk any milk in respect of which he does not pay the premiums.

5. All premiums payable by the Distributor hereunder in respect of milk delivered in any month shall be paid on or before the tenth day of the ensuing month to the Milk Marketing Board at Thames Ditton, Surrey, or such other place as the Board may direct, and, subject to clause 6 hereof, the Board shall pay them to the Producer. If the Board shall pay to the Producer any money on account of premiums before receiving the premiums from the Distributor such money shall be repaid by the Producer to the Board on demand.

6. The Board shall retain out of the premiums received from the Distributor the sum of $\frac{1}{4}$ d. for every gallon of milk delivered in respect of which a premium is paid but subject to the provision that if the premiums received from the Distributor in respect of milk delivered in the months March, April, May, June, July and August in any year are at two rates, namely, one rate on a standard quantity and a lower rate on milk in excess of that quantity then the sum the Board shall retain monthly out of the premiums received for milk delivered in each of the said months shall be a sum equal to the average monthly amount retained out of premiums received in respect of milk delivered in the preceding months October, November, December and January, and shall on behalf of the Producer pay the sums so retained to Quality Milk Producers Ltd. on the conditions that (a) the same shall be spent

on publicity for Channel Islands milk and milk products made from Channel Islands milk in such manner as shall be approved by the Board, and (b) Quality Milk Producers Ltd. shall not later than 31st December in each year, furnish to the Board (for publication if the Board think fit) an income and expenditure account for the year ending on the 30th September which last expired, of all money received by that company under this contract and all other contracts made in similar form. Provided always that if the Board, after consulting Quality Milk Producers Ltd., shall resolve that the foregoing provisions of this clause shall not apply in respect of milk delivered in any month or months specified in the resolution then no sums shall be retained or paid as aforesaid in respect of milk delivered in that month or those months.

7. Every churn of milk which is delivered as Channel Islands milk shall be plainly marked as such by the Producer.

8. The Producer warrants to the Board and to the Distributor that each and every churn of milk delivered as Channel Islands milk shall:

- (a) contain at least 4 per cent of butter-fat;
- (b) be produced only from cows of the Channel Islands breeds;
- (c) be sold under the designation Tuberculin Tested.*

9. Without prejudice to the right of the Distributor to withhold premiums in respect of any milk not in accordance with the warranty in clause 8, if, during any year starting on 1st October, the following event shall occur, namely, the average butter-fat content of a consignment of milk delivered as Channel Islands milk is less than 4 per cent in three out of five consecutive consignments and if the Distributor promptly gives written notice thereof to the Producer, the following provisions shall apply: if the same event occurs on any subsequent occasion during the same year the Distributor may notify the Producer in writing that premiums are suspended, and thereupon, and provided that tests are made by the Distributor as herein required, no premium shall be payable from the date of service of the notice until each of three consecutive consignments contains an average of at least 4 per cent of butter-fat. When the Distributor has served a suspension notice he shall test one consignment of the Producer's milk at weekly intervals thereafter until a consignment is found which contains an average of at least 4 per cent of butter-fat, and he shall then test the next consignment delivered and if that also contains an average of at least 4 per cent of butter-fat he shall also test the next consignment delivered. If either of the two last mentioned consignments contains an average of less than 4 per cent of butter-fat the Distributor shall revert to testing one consignment each week and shall repeat the process aforesaid until three consecutive consignments are found to contain an average of at least 4 per cent of butter-fat, or until the end of the year, whichever first happens.

10. The Distributor shall arrange that from time to time milk delivered as Channel Islands milk shall be tested for butter-fat and he shall forthwith notify the Producer if the tests show less than 4 per cent of butter-fat.

* This part of the warranty is optional and may be deleted by agreement between the parties.

11. If the Producer shall deliver any milk as Channel Islands milk in breach of the warranty contained in clause 8(b) hereof (relating to the cows from which such milk is to be produced) the Distributor may terminate the contract by giving to the Producer and the Board one month's written notice to that effect, but such notice shall not be given later than the end of the month after the month in which the breach occurred and shall not expire sooner than the end of the month after the month in which notice is given.

12. The Distributor shall not sell or permit to be sold as Channel Islands milk any milk, delivered from the said farm to the Distributor, on which a premium is not payable.

13. The Board having sold the milk which is the subject of this contract to the Distributor under a separate contract, containing certain warranties, give no additional warranty or condition express or implied to the Distributor under this present contract, but assign to the Distributor the benefit of the warranty given to the Board by the Producer under clause 8 hereof.

14. This Contract is in substitution for any contract existing at the date hereof between the same parties as are parties hereto, being a contract for premiums in respect of Channel Islands milk produced at the farm mentioned in the first recital hereof.

SIGNED by or on behalf of the Distributor.....

SIGNED by the Producer

SIGNED on behalf of the Board

Appendix I

Document 3

Quality Milk Producers Ltd.,
16, High Street, Chesham, Bucks.
5th October, 1962.

The Minister of Agriculture, Fisheries and Food,
Whitehall Place,
London, S.W.1.
Sir,

Section 19, Agricultural Marketing Act, 1958

Further to my letter of the 16th August 1962, the Milk Marketing Board have published Prescriptive Resolution No. 416 dated 21st August 1962 which deals with Composition Additions, Composition Deductions and Hygienic Quality Deductions. So far as the actual compositional payments position of C.I. premium milk is concerned the position of producers of this milk remains the same as outlined in the memorandum, M.M.B. 83, and as set out in my letter, because although this milk will now be classified as Class A, if of the appropriate compositional standard, by virtue of the Board's definition of 'special premium milk' in Clause 6 of the Resolution and the exclusion of 'special premium milk' from composition additions or deductions in Clause 7 of the same resolution, C.I. premium milk will be paid the Class B pool price.

The provision of the scheme complained of is therefore that part of Clause 7 of the Prescriptive Resolution No. 416 which excludes special premium milk from composition additions or deductions and the remedy proposed is the excision of the words 'other than special premium milk' in each case where they appear in Clause 7.

I am Sir,
Your Obedient Servant,

(Signed) ERIC J. BOSTON.
Chairman, Quality Milk Producers Ltd.

Appendix II

Document 1

Agricultural Marketing Act, 1958

MILK MARKETING SCHEME, 1933 (as amended)

In the matter of a Complaint by
Quality Milk Producers Ltd.

Representations of the Complainants

1. The Complainant Company ("the Complainants") is a Society formed in 1955 under the Industrial and Provident Societies Act 1893 whose members are producers in England and Wales of Channel Islands Milk ("C.I. Milk") and whose function is to develop the production and sale of high quality but particularly Channel Islands milk and to protect and further the interests of its members, who number about 6,000 out of a total of about 8,700 producers who have Channel Islands premium contracts.

2. The complaint is supported by the Jersey Cattle Society of the United Kingdom and the English Guernsey Cattle Society, whose members breed all the registered pedigree Jersey and Guernsey cows bred in England and Wales.

3. The Complainants' complaint is of a certain act of the Milk Marketing Board ("the Board") namely the making of a Prescriptive Resolution ("the Resolution") No. 416 of 21st August 1962 in relation to composition additions composition deductions and hygienic quality deductions. The matter of complaint in the Resolution is that by paragraph 7 thereof special premium milk (which by paragraph 6 includes milk in respect of which a Channel Islands premium contract exists (C.I. premium milk)), is excluded from the milk in respect of which a composition addition of 2d. per gallon will be paid.

4. The Complainants request to the Minister of Agriculture, Fisheries and Food that the Committee of Investigation be directed to consider its complaint was contained in the Complainants letter to the Minister of the 16th August, 1962, which was supplemented by the Complainants letter to the Minister of the 8th October, 1962. As indicated in the latter letter, shortly after the submission of the request, the Board amended the terms of the proposal set out in Memorandum 83 and the actual scheme is set out in the Resolution. The amendments include (inter alia):—

- (i) a change in Class C deductions whereby some members of Class C suffer a deduction of 2d. per gallon in place of 3d. and
- (ii) the inclusion of producers of C.I. premium milk in Class A but without the benefit of Class A payments; under the proposed Scheme, producers of C.I. premium milk were placed in Class B.

5. The present form of the guarantee price structure in relation to milk produced in England and Wales and the methods of remunerating milk producers and distributors are set out in Appendix A hereto.

6. The effect of increased production and sale of C.I. premium milk on the ordinary milk market as shown by market research is set out in Appendix B hereto.

7. The text of the Resolution is set out in Appendix C hereto.

8. The Complainants say in the terms of s. 19(6) of the Agricultural Marketing Act 1958 that the matter complained of in the Resolution is (A) contrary to the interests of those of the members of Quality Milk Producers Ltd. who have Channel Islands premium contracts being persons affected by the act complained of, and (B) not in the public interest.

9. *As to (A)*—The grounds on which the Complainants complain are the following:—

- (i) The purpose of the Resolution is to introduce a quality payments scheme which will discourage the production of milk of poor compositional quality and reward those who produce better milk. The basis of the scheme is the division of milk supplies into three grades based on total solids and minimum solids not fat standards. Class A supplies will be paid the standard price, plus 2d. per gallon composition addition; Class B supplies will be paid the standard price and Class C supplies the standard price less 2d. or in some cases less 3d. per gallon. The Board state that they expect that the average price paid to Class B producers will be equal to, or slightly greater than, the present average pool price for all milk supplies. This depends entirely, unless standards are altered, on the accuracy of the Board's forecast of the quality of all future milk supplies. Supplies will be placed in Class B, even when they would otherwise qualify for Class A or C if there are less than ten complete test results for total solids in the preceding twelve months. If there is in force a Channel Islands or South Devon premium contract the suppliers will be excluded from the Class A payment notwithstanding that they satisfy the compositional standards for Class A supplies.
- (ii) Normally C.I. premium milk will satisfy the compositional standards for Class A supplies.
- (iii) The Channel Islands premium contract between the Board, the producer and the distributor is quite outside the Milk Marketing Scheme 1933 (as amended). It is not within paragraph 64 which relates to purchases by the Board, nor is it within paragraph 68, since (a) the contract premiums are not paid by the Board, but by the distributor to the Board "for the producer" and (b) no premiums have been prescribed by the Board nor have any conditions been prescribed. A copy of the form of premium contract normally used, reference C.I.P. 61, forms Appendix D¹ hereto. It will be noted that this form of contract refers to the milk as already having been bought without any special designation by the Board from the producer and sold by the Board to the distributor prior to the premium contract being entered into. The premiums never form part of the pool funds. Further it is noted that the receipts from Channel Islands and South Devon premiums are not taken into account in Price Review considerations

¹ See Appendix I, Document 2 Annex 'B'.

for the reason that they are outside the Milk Marketing Scheme. It is observed that it is only the Channel Islands and South Devon premiums of all the special service premiums earned by producers outside the Milk Marketing Scheme which are to be taken into account within the Resolution. These other premiums are small in amount and of decreasing importance but they do exist. In the present case the only reason given for excluding C.I. premium Milk from the Class A payment is the existence of a premium paid to the producers by a third party. But the premium payment is not within the Milk Marketing Scheme and is not made from pool funds.

- (iv) The Board have always insisted that they cannot depart from the principle of treating all producers on the same basis regardless of the special circumstances of any group. This quality payments scheme deals only with pool money, i.e. funds available for payment of milk producers arising from the Board's entitlement under the Price Guarantee arrangements and from their receipts from the sale of milk produced in excess of the standard quantity and sold for manufacturing purposes. At present every disadvantage or advantage of the pooling system is shared by producers of C.I. premium milk on precisely the same basis as all other milk producers. Examples are as follows:—
- (a) Producers of C.I. premium milk in a particular region receive the same regional price as all other producers in the same region and pay the same transport rates. They bear the same diminution of their guaranteed price by reason of milk produced in excess of the standard quantity and suffer equally with other producers in any adverse effect that the production of low quality milk has on producers overall returns.
 - (b) Producers of C.I. premium milk who have a Tuberculin Tested licence receive the same Tuberculin Tested pool price as other Tuberculin Tested producers although some, but not all Channel Islands premium contracts stipulate that the milk must be Tuberculin Tested.
 - (c) When Producers of C.I. premium milk asked the Board to treat their milk on the basis of a separate pool for a separate and distinct product with the effect that producers of C.I. premium milk would then only have been affected by market factors directly arising from the production and sale of their own product, the Board refused apparently because they considered that all producers must be treated alike.
 - (d) When the Board changed the price emphasis of the monthly prices to encourage summer production of ordinary milk this was contrary to the interest of producers of C.I. premium milk who should produce more winter milk. The Board refused to pay producers of C.I. premium milk a pool price with a different seasonal emphasis but producing the same weighted average over the year, because all producers had to be treated alike.
 - (e) When the Technical Study Group, on which the Board was represented, reported upon quotas it stated that Channel Islands milk must be included in any quota system although there was a

shortage of Channel Islands milk. This decision was apparently based on the same principles of treating all producers alike.

(f) When the Board were asked to allocate part of the funds paid by producers of C.I. premium milk under the general publicity levy on all producers, towards advertising Channel Islands milk, they refused on the grounds that they were unable to take account of the special interest of any group of producers.

(g) When the Board were asked to publish Channel Islands premium rates each month in the "Milk Producer" as a service to these producers they refused on the grounds that the Channel Islands premium is like any other premium, namely it is one freely negotiated between producers and buyers and is additional to producers' pool prices, and the premiums are not fixed or prescribed rates. Therefore the Board will not publish the rates on the price page of the "Milk Producer" which is the official monthly journal of the Board.

(v) It has been said by the Board that:—

"the pool, of course, refers solely to price and is the mechanism by which realisations in the market are averaged so far as they apply to the basic price from which premia—and consequently deductions—are excluded. The pooling system reflects the principle whereby costs applying to the industry as a whole are shared between producers. These costs are those of administration, research, sales promotion and, primarily, the loss on manufactured milk" (letter of 26th January, 1962).

It has then been said by the Board in discussion with Quality Milk Producers Ltd. that after this basic point there are two distinct markets: the Channel Islands market, which obtains a premium from the consumer, and the ordinary milk market. If these are the principles the Complainants do not understand why the Board have acted in direct contradiction to these principles as shown in paragraph (iv), subparagraphs (d), (e) and (g). Also the statement that "premia—and consequently deductions—are excluded" from the mechanism of the pool, when they arise from and are paid out of pool money, is not accepted. It is a direct contradiction of the treatment of Tuberculin Tested premiums, regional price differentials and transport rates, and also the way in which the present butterfat penalty scheme operates.

(vi) The Complainants have been told by the Board that the Resolution will be put into operation whether or not the Board are able to carry out their intention to introduce a separate grade of ordinary milk for sale at a higher retail price and thereby earn additional money for milk producers. Although not referred to in the Resolution this proposal for a second grade of ordinary milk has been connected with it in that it has been suggested that to the extent that the difference between the pool price for Class A milk and Class B milk is obtained from the premium earned from the sale of this separate grade it would be unfair for producers of C.I. premium milk to benefit from this as well as to receive their own premium. It is difficult to comment on a hypothetical scheme. This opportunity is taken however to make it quite clear that, in the Complainants' opinion, these additional premium earnings, (provided they in fact augment the pool funds being

received in addition to the guaranteed price for the standard quantity which would otherwise be payable to the Board) should be paid to those producers who produce the milk sold under the new grade. They neither should nor need benefit producers of C.I. premium milk.

10. *As to (B)*—The grounds on which the Complainants complain are as follows:—

- (i) In their report (S.O. Code No. 24-134) the Whitehead Committee said at p. 6:—

"With regard to the term 'public interest' we do not accept the contentions submitted on behalf of the Board as to the limited meaning to be attached to these words. We think that a wider view should be taken and that, having regard to the nature of the statute, the over-riding consideration should be whether or not any provision of the Scheme or act or omission of the Board will encourage or discourage, as the case may be, the supply of an adequate quantity of good milk to the public at a fair and reasonable price and/or the consumption of such milk by the public." . . . "We take the view (however) that to prove that an act is not in the public interest is a different thing from having to prove that it is contrary to the public interest. The change in the language of the section emphasizes this point. An act may be one which is in the public interest, or one which is contrary to the public interest, or one which concerns the public so little that it cannot be said to be either in or contrary to the public interest. Of course, if an act is contrary to the public interest, it is necessarily not in the public interest. On the other hand, in many of the matters which arise in agricultural pursuits, an act may be not in the public interest without being absolutely contrary to the public interest. For example, there might be some subsidiary provision in a contract for the wholesale purchase of milk which was of little or no importance from the standpoint of public interest, though it might be of great importance to the parties. In such circumstances we feel that, when we are satisfied that a complainant has shown that he is injured, it is only necessary for him to show that the act or omission complained of is not in the public interest. To insist that he should show that the act is contrary to the public interest might make it impossible for him to get any relief."

- (ii) The Board have stated that the purpose of their quality payments scheme is to discourage the production of milk of poor compositional quality and reward those who produce better milk (paragraph 2 of Memorandum 83).
- (iii) It is not suggested that this scheme as a whole is not in the public interest. It is however submitted that it is as important to encourage the production of C.I. premium milk, of which there is an acknowledged shortage and unsatisfied demand by the public, as it is to encourage the production of ordinary milk of 12·6 per cent or more total solids and the discrimination against producers of C.I. premium milk (by excluding them from Class A payments) is not in the public interest.
- (iv) It is suggested that the only case in which the exclusion of producers of C.I. premium milk from Class A payments could be justified as being in the public interest is if their inclusion would so adversely affect the scheme that it could not operate. The payment of Class A payments to producers of C.I. premium milk would not affect the

Class C producers, the penalty on whose milk is at least as important a feature, if not more important, than the premiums to be paid to Class A producers. It appears from the Board's figures as stated in Memorandum 83 that if producers of C.I. premium milk were to receive Class A payments, the premium to Class A producers could still be 2d. per gallon and the Class B producers payment would be fractionally above the price at which the pool would have been fixed but for the quality payments scheme. The Complainants have no sufficient information now to calculate whether this still remains true because the Board have altered the Class C deductions without providing estimates of quantities within the two divisions of Class C. The Complainants however submit that this is a matter of adjusting the rates of premium and penalty and/or compositional standards. In any event these factors are likely to require variation from time to time as the quantities of milk qualifying for each class vary. There is therefore nothing inherent in the inclusion of producers of C.I. premium milk as recipients of Class A payments which would make the scheme unworkable.

11. The remedy which the Complainants propose is that the Minister should in accordance with s. 19(6)(c) of the Agricultural Marketing Act 1958 direct the Board to delete the words "other than special premium milk" from the Resolution and to make such other consequential amendments as may be necessary.

DELIVERED this 9th day of November, 1962, by BIDDLE, THORNE, WELSFORD & BARNES of 1 Gresham Street, London, E.C.2. Complainants solicitors.

Appendix II

Document 1, Annex 'A'

MILK MARKETING — ENGLAND AND WALES

The guarantee price structure and the methods of remunerating milk producers and distributors

1. The milk guarantees are of two kinds. Firstly there is an actual guaranteed price determined at the Annual Price Review in February of each year for the year ahead. This guarantee is related to a specific quantity of milk, the "standard quantity", on which the full guaranteed price is paid. Supplies in excess realise a lower price approximating to the returns for all milk used in manufacture (that is milk in excess of liquid requirements within the standard quantity plus milk in excess of the standard quantity). Incorporated in the guarantee there is also a profit and loss sharing arrangement between the Board and Government relating to the difference between actual and forecast manufacturing realisations of all milk. Secondly there are guarantees relating to the maximum reductions in guaranteed prices which may be made in any year or period of three years.

2. The foundation of producers' prices is the guaranteed price for an overall standard quantity, related to liquid milk sales, plus manufacturing realisations for production in excess of this quantity from which total the costs of the Board's administration, publicity levies and costs of transport ex-farm to the point of first delivery are paid. This net sum, hereinafter described as the pool, is divided between all milk producers basically on a gallonage basis.

3. Distributors' margins and allowances including secondary transport after first delivery do not affect the actual pool from which payment is made to producers except to the extent that the cost of administration and control of these allowances, not recovered from the Government, is part of the Board's overall costs which are charged before calculating the amount available for payment to producers. *The actual procedure is that the cost of these allowances forms part of the Board's marketing expenses which are taken into account by the Government in determining the Board's entitlement under the guarantee arrangements. Ultimately the cost is met by the consumer in the retail price of milk (paragraphs 25 and 73—Thorold Committee Report).*

4. From the Government's side the guarantee system operates as follows:—

Credit is taken for the value of liquid milk sales by the Board to distributors but excluding receipts from Channel Islands and South Devon premiums which are paid by distributors to individual producers through the agency of the Board. The overall average manufacturing price for the quantity of milk manufactured within the standard quantity is also credited after adjustments arising from the profit and loss sharing agreement between Board and Government. This agreement relates to the difference, if any, between forecast and actual market realisations for manufacturing milk. From this total credit there are debited marketing allowances not covered by the retail margin paid to distributors on liquid milk, e.g. heat treatment, wholesaling and transport costs beyond the point of first delivery by producers. The cost of primary transport

is a charge on the pool as are the Board's marketing expenses and are therefore excluded from this account. The Government (if operating on a no subsidy basis as is the present intention) adjust the maximum retail prices, and thereby directly the Board's selling price to distributors, so that the Government's total credit less allowances etc. debited is equal to the amount of the total guarantee payment due to the Board for the standard quantity of milk.

5. The present guarantee system might be summarised as an arrangement which ensures to producers as a whole a certain minimum price for part of their total product, requires them to sell their remaining production for manufacture at world prices for surplus milk and, by maximum retail price control, restricts them from receiving more than the fixed price for their standard or guarantee quantity. This system has an important effect when considering the effect that different groups of producers have on each others actual remuneration in the pool system.

6. There are two main classes of producer whose remuneration is calculated differently by the Milk Marketing Board. Producers/Retailers (including farm bottlers who bottle their milk on the farm and sell it by private negotiation to an actual retailer for distribution), and wholesale producers. Producer/Retailers may sell part of their production as wholesale producers. Within these two main categories are the main sub-divisions between Channel Islands milk producers and ordinary milk producers in terms of their total remuneration but whose remuneration within their own main class is calculated on the same basis whether they produce ordinary milk or Channel Islands milk.

7. The producer of non T.T. milk receives a different price, 4d. per gallon less than wholesale producers of T.T. milk but, apart from the specific penalty, the basis on which the non T.T. pool price is calculated is the same as for all other wholesale producers.

8. Producer/retailers perform a function both of producers and retailers and are entitled to their remuneration both as producers and as retailers. The amount they obtain from customers is greater than the sum of these two amounts because under the present operation of the guarantee system without subsidy the maximum retail price of milk, which in practice is the fixed or minimum price except for Channel Islands Farm Bottled Milk, is set at a level by Government which will cover the reduced price obtained for milk, produced within the standard quantity, but used for manufacture.

9. The Milk Marketing Board determine the remuneration of producer/retailers as producers by means of a levy which is calculated by taking the guaranteed producer price, reducing it by an amount equal to the proportionate part based on overall gallonages of the Board's marketing and administration expenses and adding thereto a betterment allowance which, in practice, is much greater than the Board's expenses previously deducted. No account is taken of the effect of milk production in excess of the standard quantity, which reduces other producers guaranteed price by about $\frac{1}{2}$ d. per gallon for every 50 million excess gallons produced. The effect is that a producer/retailer retains for his own benefit from his retail sales at least the guaranteed price for ordinary milk production within the standard quantity plus the basic retail margin for all milk distributors as determined by Government.

10. In calculating the remuneration of producer retailers of ordinary or Channel Islands milk, the Board take no account of the higher retail price, which covers the producer premium, for these special grades, the extra amounts which the producer retailer may obtain are controlled entirely by supply and demand except that the additional margin cannot exceed 1s. per gallon for ordinary farm bottled and 1s. 4d. per gallon for C.I. farm bottled, compared to ordinary pasteurised milk.

11. The present method of remunerating wholesale producers is that the Board take their net receipts for the sale of all milk which are made up as follows. The sum of

- (a) entitlement to guaranteed price for standard quantity;
- (b) net proceeds from the sale of manufacturing milk produced in excess of the standard quantity;
- (c) marketing allowances to distributors and secondary transport costs recovered from Government;
less the sum of
- (d) the Board's Administration, Marketing and Publicity Expenditure including an allowance for National Milk Records;
- (e) marketing allowances paid to distributors and secondary transport;
- (f) cost of milk haulage ex-farm to point of first-hand sale.

After adjustment of the producer retailers position, i.e. receipt of the levies referred to in paragraph 9, this money is paid to all wholesale producers on a gallonage basis, each producer receiving the same price for a gallon of milk regardless of where it is produced or whether it is used for retail consumption or manufactured, subject to the following exceptions:—

- (i) The producer of T.T. milk receives 4d. per gallon more than the producer of non T.T. milk.
- (ii) Small regional price differences.
- (iii) Small, but recently increased, differential standard transport deductions for different regions.
- (iv) Price reductions from the standard for milk falling below certain butterfat standards.

Profits from the Board's trading activities, e.g. Creameries and Artificial Insemination, also interest received are credited to the General Reserve Account and are not paid to producers but used to finance the Board's capital expenditure.

12. The remuneration of distributors in England and Wales is the retail margin (the difference between the Board's first-hand selling price of milk for liquid consumption and the statutory maximum retail price), a wholesale allowance, a depot sales allowance and the following allowances:—

- (a) ex-farm allowance to buyers,
- (b) heat treatment allowances,
- (c) exceptional transport allowances,
- (d) surplus milk allowances,
- (e) station collection allowances,
- (f) depot transport allowances.

13. For pasteurised milk supplied to them in bottles sub-purchaser retailers pay a fixed amount out of the basic retail margin.

14. The effect of paragraphs 12 and 13 is that the total remuneration of producers is not affected by additional costs incurred in the processing or handling of milk for retail consumption beyond the point of first delivery. All these costs are paid by consumers through adjustment of the maximum retail prices for all milk which takes into account the additional margins obtained by distributors on handling Channel Islands milk.

Appendix II

Document 1, Annex 'B'

Quality Milk Producers Limited

COMPLAINT re M.M.B. QUALITY PAYMENTS SCHEME

How the increased production and sale of Channel Islands Milk
assists the ordinary Milk Market

Unless Channel Islands Milk Production is made so attractive as to encourage farmers to produce this grade of milk when without it they would not produce any milk at all, any increase in Channel Islands milk production will cause at least a corresponding reduction in ordinary milk production. Owing to the generally lower yield per cow of the Channel Islands breeds the change by an ordinary milk producer to Channel Islands milk production will normally reduce the total gallonage of milk which is produced and therefore the quantity of milk which must be used for the least valuable category of manufacture.

In conjunction with a C.I. sales promotion organised with Home Counties Dairies Limited in Crawley New Town the opportunity was taken to instruct the British Market Research Bureau Ltd. to try to discover, amongst other matters, how total milk purchases of consumers are affected by changing to buying Channel Islands milk when they had not previously purchased any of this grade. The full report of the British Market Research Bureau Ltd. is submitted for the information of the Committee of Investigation, but the following summary and extracts from the report which relate to this particular matter are set out here for the convenience of the Committee.

The period of the sales promotion was the four weeks ended 10th June, 1961. An analysis of a random sample of roundsmen's books was made for the period four weeks before the promotion, during the promotion, and fourteen weeks after the promotion. A control panel of householders who did not purchase C.I. milk before or during the promotion was compared with a group who did not buy before the promotion but started during it and continued afterwards. There was also a panel who took some C.I. milk during the promotion but stopped afterwards. In this report, paragraph K, page 15, the British Market Research Bureau state,

"Changes in the pattern of milk purchases and expenditure for those households that change to Channel Islands Milk."

As was discussed in the introduction of this report, three panels of households were formed from roundsman's books and their weekly purchases of different types of milk were recorded. Table 7 shows the milk purchases of the panel of the households that took no Channel Islands milk either before or during the promotion period. It can be seen that the average weekly milk purchases fell from 14.7 pints per week to 13.2 pints per week or by 10 per cent. Both ordinary milk and T.T. milk fell by a similar proportion. This fall was probably due to seasonal fluctuations such as people going away on holiday.

Table 7

PURCHASES BY HOUSEWIVES WHO DID NOT BUY C.I. MILK DURING OR BEFORE PROMOTION

	<i>All Milk Purchased (pints per week)</i>	<i>Ordinary Milk</i>	<i>T.T. Milk</i>	<i>C.I. Milk</i>
Number of Customers = 185				
Average weekly purchases in pints for the period:—				
5 weeks before promotion . . .	14.7	11.2	3.6	—
4 weeks during promotion . . .	14.1	10.6	3.5	—
4 weeks after promotion . . .	14.1	10.6	3.5	*
5-8 weeks after promotion . . .	13.9	10.6	3.3	*
9-14 weeks after promotion . . .	13.2	10.0	3.2	*

*Less than 0.1 pint per week.

Average weekly expenditure in shillings for the period:—				
5 weeks before promotion . . .	10.1	7.5	2.6	—
4 weeks during promotion . . .	9.6	7.1	2.5	—
4 weeks after promotion . . .	9.6	7.1	2.5	—
5-8 weeks after promotion . . .	9.4	7.1	2.3	*
9-14 weeks after promotion . . .	8.9	6.7	2.2	*

*Less than 0.1 shilling per week.

Table 8 below shows the weekly purchases for those households that continued to take Channel Islands milk from the promotion period until the end of the period that was recorded, that is 14 weeks after the promotion period had finished. The average weekly purchases increased from 15.8 pints before the promotion week to 16.5 pints, and increase of 5 per cent. This compares with a decrease of 10 per cent for the control panel. The total expenditure increased from 10.4 to 12.2 and increase of 17 per cent compared with a decrease of 10 per cent for the control panel.

Table 8

PURCHASES BY HOUSEWIVES WHO BOUGHT C.I. MILK
DURING PROMOTION AND CONTINUED

		<i>All Milk Purchased (pints per Ordinary T.T. C.I. week) Milk Milk Milk</i>			
		Number of Customers=50			
Average weekly purchases in pints for the period:—					
5 weeks before promotion	. .	15.8	11.7	4.0	—
4 weeks during promotion	. .	15.9	8.3	2.5	5.1
4 weeks after promotion	. .	15.9	6.4	1.4	8.2
5-8 weeks after promotion	. .	16.2	6.5	1.3	8.5
9-14 weeks after promotion	. .	16.5	6.8	1.5	8.3
Average weekly expenditure in shillings for the period:—					
5 weeks before promotion	. .	10.4	7.8	2.5	—
4 weeks during promotion	. .	10.6	4.9	1.8	4.0
4 weeks after promotion	. .	11.9	4.3	1.0	6.5
5-8 weeks after promotion	. .	12.0	4.4	1.0	6.7
9-14 weeks after promotion	. .	12.2	4.6	1.1	6.6

The increase in total milk purchases relative to the control panel appears to occur in two parts. Firstly during the promotion month and in the first two weeks following it the increase in purchases of Channel Islands milk is not entirely offset by decreases in ordinary or T.T. milk purchases. After this the purchases of Channel Islands milk settle down to about 8.3 pints per week. The second phase appears to occur a few weeks after the promotion period when the purchases of ordinary and T.T. milk recover a little of the sales they lost during the promotion period.

The sales of T.T. milk decreased more proportionately than do the sales of ordinary milk when households changed to Channel Islands milk.

The total milk purchases of those households that stopped taking Channel Islands milk are shown below in Table 9.

Table 9

PURCHASES BY HOUSEWIVES WHO BOUGHT C.I. MILK
DURING PROMOTION BUT STOPPED TAKING IT

	<i>All Milk Purchased (pints per week)</i>	<i>Ordinary Milk</i>	<i>T.T. Milk</i>	<i>C.I. Milk</i>
Number of Customers=558				
Average weekly purchases in pints for the period:—				
5 weeks before promotion . . .	15.1	9.8	5.3	—
4 weeks during promotion . . .	15.0	9.0	4.9	1.2
4 weeks after promotion . . .	14.4	9.0	5.0	0.4
5-8 weeks after promotion . . .	14.5	9.3	5.0	0.2
9-14 weeks after promotion . . .	14.5	9.3	5.0	0.2
Average weekly expenditure in shillings for the period:—				
5 weeks before promotion . . .	10.3	6.6	3.8	—
4 weeks during promotion . . .	10.4	6.0	3.4	1.0
4 weeks after promotion . . .	9.8	6.0	3.5	0.3
5-8 weeks after promotion . . .	9.9	6.2	3.5	0.2
9-14 weeks after promotion . . .	9.9	6.2	3.5	0.2

The total milk purchases decrease from 15.1 pints per week on average to 14.5 pints per week, a fall of 4 per cent. During the promotion period there is evidence that the total milk purchases of this panel do not fall as much as the control panel. However after the promotion period this panel's milk purchases show a similar pattern to that of the control panel.

It is submitted that, subject to the proviso in the first paragraph, that this research supports the contention by Quality Milk Producers Ltd. that the increased production and sale of Channel Islands milk does assist development of the liquid milk market as a whole.

Appendix II

Document 1, Annex 'C'

Quality Milk Producers Limited

M.M.B. Quality Payments Scheme

Prescriptive Resolution No. 416, 21st August, 1962. Composition Additions,
Composition Deductions and Hygienic Quality Deductions

Pursuant to Clause 3 of Prescriptive Resolution No. 414, the Board prescribed sums as additions to and deductions from the standard prices as follows:—

1. The sums stated in Clause 7 hereof shall be Composition Additions and Composition Deductions and the sum stated in Clause 8 hereof shall be a Hygienic Quality Deduction; and the circumstances in which each of the said sums shall apply to particular milk shall be as set out in this resolution.

2. Nothing in this resolution is to be construed as affecting the Board's right to reject unmarketable milk and the prescription of deductions for supplies averaging less than 8.5 per cent S.N.F. does not imply that milk with less than 8.5 per cent S.N.F. may not be lawfully rejected.

3. *Definition of Supply*

'Supply' means all the milk which a registered producer sells to the Board and consigns to one destination, except that (a) where such milk is produced from two or more separate herds or farms and is clearly labelled so as to identify the herd or farm from which it comes, then the milk from each such herd or farm shall, if the Board so agree, be a separate supply, and (b) where part of the milk is delivered in bulk to the consignee and part is delivered to him in churns, each part shall be a separate supply.

4. *Sampling and testing milk*

The Board will sell the milk on terms which include provisions for the sampling and testing of each supply for composition and hygiene namely the provisions contained in the 'Quality Control Conditions' comprising Part II of the Milk Marketing Board Sale Conditions, and the expressions 'months', 'relevant test', 'Buyer' and 'Pass' and 'Fail' when used in this resolution have the same meaning as they have in the said Conditions.

5. *Classification of supplies by composition results*

At the end of each year ending 30th September and of each year ending 31st March (starting with the year ending 30th September, 1963) the Board will calculate, for each supply, the simple average of the results of the relevant tests for fat, solids-not-fat and total solids respectively, made during that year, and as from the 1st November or 1st May which next follows the ending of such year will classify each supply as follows:—

CLASS A, if (i) the average for total solids is calculated from at least ten results of relevant tests and is 12.6 per cent or more, and (ii) the average for solids-not-fat is more than 8.4 per cent;

CLASS B, if the supply is not classified as Class A or Class C;

CLASS C, if either (i) the average for total solids is calculated from at least ten results of relevant tests and is less than 12 per cent, or (ii) the average for solids-not-fat is not more than 8.4 per cent.

Every such classification shall remain in force for six months.

6. Channel Islands and South Devon Milk

For the purposes of the next following clause 'special premium milk' means:—

(a) Milk in respect of which a Channel Islands Milk Premium Contract exists, except that:

- (i) if that contract is made to take effect after the first day in any month, milk delivered during that month is not special premium milk and,
- (ii) if payment of the premium is suspended, pursuant to that contract, in any month then milk delivered during the period from the first day of the following month until the end of the month in which such suspension is removed is not special premium milk.

(b) Milk in respect of which a premium is payable by the Buyer under a South Devon Milk Premium Contract.

7. Composition additions and deductions

A composition addition of 2d. per gallon will apply to all the milk, other than special premium milk, delivered in a supply of Class A.

A composition deduction of 2d. per gallon will apply to all the milk, other than special premium milk, delivered in a supply of Class C except where the average for total solids is less than 11.8 per cent in which case a composition deduction of 3d. per gallon applies.

8. Hygienic Quality Deductions

If the result of a relevant hygiene test for a supply in any month is 'fail' then a hygienic quality deduction of a sum per gallon to be prescribed by the Board will apply to all the milk delivered as part of that supply in that month unless the results of all relevant hygiene tests for that supply in the immediately preceding six months have been 'pass'.

9. Discretion of the Board

The foregoing provisions are subject to any direction given under this clause. Where under the foregoing provisions of this resolution a deduction applies or an addition does not apply to any milk for any period the Board may direct that such deduction shall not apply or such addition shall apply for such period as may be specified in the direction; provided that no such direction shall be made unless the Board or any Committee authorized to enquire into the matter is of opinion that such deduction would not have applied or such addition would have applied but for the failure of the Buyer or the Board to carry out properly their obligations under the said Quality Control Conditions or but for special circumstances held by the Board to be good grounds for such a direction.

10. This resolution shall take effect from 1st October 1962, save that no additions or deductions prescribed by it shall apply to any milk delivered before 1st October, 1963, or such other date as the Board may fix for the hygienic quality deductions.

Appendix II

Document 2

In the matter of the Agricultural Marketing Act, 1958, and the Agricultural Marketing (Committee of Investigation) Regulations, 1949, and the Milk Marketing Scheme, 1933

In the matter of a complaint made by Quality Milk Producers Limited to the Minister of Agriculture Fisheries and Food

Representations on behalf of the Milk Marketing Board

1. In these representations,

"the Board" means the Milk Marketing Board.

"distributor" includes a manufacturer of milk products.

"C.I. premium milk" means milk in respect of which there is in existence a Channel Islands or South Devon premium contract (*Note: In fact there are not any South Devon premium contracts now operative.*)

"Ordinary milk" means all milk which is not C.I. premium milk, and therefore includes Channel Islands milk in respect of which there is no Channel Islands premium contract in existence. The last mentioned Channel Islands milk is not kept separate but forms part of the ordinary milk supply, and it is not excluded from the 2d. per gallon payment proposed for Class A milk.

2. The complaint relates to a proposal of the Board set out in a memorandum MMB 83 dated November, 1961. Since that date the Board have slightly modified their proposal and have given formal effect to it by passing Prescriptive Resolution No. 416 dated 21st August, 1962.

3. The Milk Marketing Scheme was promoted by the National Farmers' Union in 1933 and was then accepted on a poll of milk producers for the following reasons: About one-quarter of the milk produced was not required for liquid consumption and was sold at a much lower price for manufacture into dairy products (which had to compete with cheap imported dairy products). The intense competition among producers to sell to the liquid market resulted in the lowering of the price in the liquid market to an unprofitable level. Even in 1933 proximity to a liquid market did not ensure a sale in that market. In accepting the scheme the producers submitted to a high degree of regulation of the individual, and the whole basis of their acceptance was that all producers should share both the profitable liquid market and the unprofitable manufacturing market.

4. The reasons which prompted the acceptance of the Scheme in 1933 are very much stronger today owing to improved methods of transporting and handling

contracts. The word "approximately" is necessarily used, because the deductions and additions, and the standards of quality to which they apply, must be fixed in advance, at a time when the quantities of milk qualifying for deductions and additions can only be estimated. It will be the Board's aim to see that, taking one year with another, the standard price payable for medium quality ordinary milk and for C.I. premium milk shall not be less than the price that would have been payable if the scheme had not been introduced. It will be possible from year to year to vary either the deductions or the additions or the standards of quality to which they apply.

12. The Board believe the producers of ordinary milk will welcome this scheme. At present all producers get the same standard price from the Board whether they produce ordinary milk or C.I. premium milk, though the latter also receive a premium from the distributor. The Board contend that if the producers of ordinary milk desire that the money, which is now divided between themselves equally, shall in future be divided among them unequally—a higher price for the best milk and a lower price for the worst milk—they are entitled to have that division carried out. It is a re-division which only affects the producers of ordinary milk, and the producers of C.I. premium milk will receive the same as they would have received if no such re-division had occurred.

13. If, as the Complainants propose, the total amount now divisible between producers of ordinary milk is diminished by taking from it a sum equal to 2d. per gallon on all C.I. premium milk, the producers of ordinary milk may well prefer that the scheme should not be introduced at all.

14. To deal specifically with certain points raised by the letter of complaint, the Board say:

- (a) *Paragraph 4.* The proposal set out in Memorandum MMB 83 has since been modified in two respects. First, C.I. premium milk will not be classified as Class B, but this is a modification of form only and was made to avoid any possible suggestion that Channel Islands milk was not of the highest quality. Secondly, the original proposal for Class C supplies was for a 3d. deduction in any case and 4d. if total solids fell below 11·8 per cent. These deductions were considered too heavy, and have been modified to 2d. and 3d. The Board's modified proposals are set out in Prescriptive Resolution No. 416 dated 21st August, 1962.
- (b) *Paragraph 5.* The Board do not deny that most C.I. premium milk will satisfy the compositional standards laid down for Class A supplies.
- (c) *Paragraph 6.* The Channel Islands premium contract and premium are only outside the Milk Marketing Scheme and the price review considerations because the Board, with the consent of the Government, have kept them outside. The Board refer on this point to paragraph 9 of these representations. The statement that contracts for special service premiums, other than Channel Islands and South Devon premiums, do not exclude producers from the proposed quality payments scheme is admitted. There are only 224 such contracts existing, and the special services covered by them mostly relate to quantities and special deliveries.
- (d) *Paragraph 7.* The statement that the Board have always insisted that they "cannot depart from the principle of treating all producers on the

same basis regardless of the special circumstances of any group" is too wide, and is untrue. The Board have always insisted on the principle (which is basic to the Milk Marketing Scheme) that all producers must share in the loss on manufactured milk, but subject to that, the Board have from time to time made special arrangements for groups of producers in special circumstances. In particular, the Board have not insisted on the pooling of the extra money paid by distributors for Channel Islands milk.

- (e) *In paragraphs 8 to 14 (sub-paragraphs (a) to (g)) the Complainants set out examples of the Board's alleged insistence that they cannot depart from the principle of treating all producers on the same basis. As to paragraph 8 (sub-paragraph (a)), the Board admit that producers of C.I. premium milk receive the same regional price as producers of ordinary milk, but they receive a premium in addition, and their milk, being segregated, makes no contribution to the quality of ordinary milk. As to the examples alleged in paragraphs 9 to 14, (sub-paragraphs (b) to (g)), the Board do not admit that the facts are fully stated, nor that the reasons alleged for the Board's decisions are fully or accurately stated. The Board submit that these sub-paragraphs are not relevant to the questions now in issue. The Board, therefore, do not deal with them fully in these representations, but will deal with them in oral evidence if the Committee of Investigation hold them relevant.*
- (f) *Paragraph 21. The Board make no admission as to there being a shortage of Channel Islands milk. The Board believe that in the South of England there is no shortage but a surplus. The Board deny any discrimination against producers of C.I. premium milk.*
- (g) *Paragraph 22. The Board deny that if 2d. per gallon were paid to Channel Islands producers as well as to producers of Class A ordinary milk the price payable to Class B producers would be above the price at which the pool would have been fixed but for the quality scheme. It would be below that price. The position of Class B producers is affected by two matters: First, the Board's modification of the deduction for Class C producers (see paragraph 14(a) of these representations) and Secondly the effect of the quality scheme itself in reducing the number of producers who remain in Class C. Even if the second matter is disregarded, the modification of the deduction for Class C results in the total deductions in Class C being considerably less than the total payments to Class A if C.I. premium milk is included. The Board estimate the position to be as follows:—*

	£	£
Revenue, being deductions for Class C	2,378,000	2,378,000
Cost of payments of 2d. per gallon to Class A when C.I. premium milk is excluded	2,180,000	
Cost of payments of 2d. per gallon to Class A when C.I. premium milk is included		3,060,000
Effect on Class B	+198,000	—682,000

contracts. The word "approximately" is necessarily used, because the deductions and additions, and the standards of quality to which they apply, must be fixed in advance, at a time when the quantities of milk qualifying for deductions and additions can only be estimated. It will be the Board's aim to see that, taking one year with another, the standard price payable for medium quality ordinary milk and for C.I. premium milk shall not be less than the price that would have been payable if the scheme had not been introduced. It will be possible from year to year to vary either the deductions or the additions or the standards of quality to which they apply.

12. The Board believe the producers of ordinary milk will welcome this scheme. At present all producers get the same standard price from the Board whether they produce ordinary milk or C.I. premium milk, though the latter also receive a premium from the distributor. The Board contend that if the producers of ordinary milk desire that the money, which is now divided between themselves equally, shall in future be divided among them unequally—a higher price for the best milk and a lower price for the worst milk—they are entitled to have that division carried out. It is a re-division which only affects the producers of ordinary milk, and the producers of C.I. premium milk will receive the same as they would have received if no such re-division had occurred.

13. If, as the Complainants propose, the total amount now divisible between producers of ordinary milk is diminished by taking from it a sum equal to 2d. per gallon on all C.I. premium milk, the producers of ordinary milk may well prefer that the scheme should not be introduced at all.

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- (b) *Paragraph 5.* The Board do not deny that most C.I. premium milk will satisfy the compositional standards laid down for Class A supplies.
- (c) *Paragraph 6.* The Channel Islands premium contract and premium are only outside the Milk Marketing Scheme and the price review considerations because the Board, with the consent of the Government, have kept them outside. The Board refer on this point to paragraph 9 of these representations. The statement that contracts for special service premiums, other than Channel Islands and South Devon premiums, do not exclude producers from the proposed quality payments scheme is admitted. There are only 224 such contracts existing, and the special services covered by them mostly relate to quantities and special deliveries.
- (d) *Paragraph 7.* The statement that the Board have always insisted that they "cannot depart from the principle of treating all producers on the

same basis regardless of the special circumstances of any group" is too wide, and is untrue. The Board have always insisted on the principle (which is basic to the Milk Marketing Scheme) that all producers must share in the loss on manufactured milk, but subject to that, the Board have from time to time made special arrangements for groups of producers in special circumstances. In particular, the Board have not insisted on the pooling of the extra money paid by distributors for Channel Islands milk.

- (e) *In paragraphs 8 to 14 (sub-paragraphs (a) to (g))* the Complainants set out examples of the Board's alleged insistence that they cannot depart from the principle of treating all producers on the same basis. As to paragraph 8 (sub-paragraph (a)), the Board admit that producers of C.I. premium milk receive the same regional price as producers of ordinary milk, but they receive a premium in addition, and their milk, being segregated, makes no contribution to the quality of ordinary milk. As to the examples alleged in paragraphs 9 to 14, (sub-paragraphs (b) to (g)), the Board do not admit that the facts are fully stated, nor that the reasons alleged for the Board's decisions are fully or accurately stated. The Board submit that these sub-paragraphs are not relevant to the questions now in issue. The Board, therefore, do not deal with them fully in these representations, but will deal with them in oral evidence if the Committee of Investigation hold them relevant.
- (f) *Paragraph 21.* The Board make no admission as to there being a shortage of Channel Islands milk. The Board believe that in the South of England there is no shortage but a surplus. The Board deny any discrimination against producers of C.I. premium milk.
- (g) *Paragraph 22.* The Board deny that if 2d. per gallon were paid to Channel Islands producers as well as to producers of Class A ordinary milk the price payable to Class B producers would be above the price at which the pool would have been fixed but for the quality scheme. It would be below that price. The position of Class B producers is affected by two matters: First, the Board's modification of the deduction for Class C producers (see paragraph 14(a) of these representations) and Secondly the effect of the quality scheme itself in reducing the number of producers who remain in Class C. Even if the second matter is disregarded, the modification of the deduction for Class C results in the total deductions in Class C being considerably less than the total payments to Class A if C.I. premium milk is included. The Board estimate the position to be as follows:—

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Cost of payments of 2d. per gallon to Class A when C.I. premium milk is included		3,060,000
Effect on Class B	+198,000	—682,000

However, the Board consider that the price payable for Class B ordinary milk should be unaffected (taking one year with another) by the proposed scheme, and to achieve that it would be necessary to reduce the proposed 2d. per gallon addition for Class A to 1.55d. per gallon, if C.I. premium milk were to receive the same addition as Class A.

15. The Board submit the Complainants are not and ought not to be affected by the proposed quality payments scheme, but if they are the Board say that their proposal is not contrary to the reasonable interests of the Complainants and is in the public interest, for the reasons aforesaid and because:—

- (a) The producers of C.I. premium milk (both as a class and as individuals) will receive the same amount of cash (taking one year with another) as they would have received if the scheme had not been introduced. So also will the producers of ordinary milk as a class, though within the class some individuals will get more and some less.
- (b) It is not in the reasonable interests of producers of C.I. milk that they should receive both the premium paid by the distributor and a further payment at the expense of producers of ordinary milk or any section of them.
- (c) It is in the public interest that the quality of ordinary milk shall be improved. Since C.I. premium milk is segregated from and does not form part of the ordinary milk supply, the encouragement of further supplies of C.I. premium milk will not improve the quality of ordinary milk. The scheme proposed by the Board will encourage the production of high quality ordinary milk (which includes Channel Islands milk if it is not sold under a premium contract) and will discourage the production of low quality ordinary milk. The scheme proposed by the Board is, therefore, in the public interest.
- (d) If part of the deductions applicable to Class C ordinary milk were paid to producers of C.I. premium milk (as the Complainants propose) instead of being paid wholly to the producers of Class A ordinary milk (as the Board propose) there would be less encouragement to produce high quality ordinary milk. It is, therefore, in the public interest that the whole of the said deductions should be paid to producers of Class A ordinary milk.

DELIVERED this Ninth day of November, 1962, by Messrs. ELLIS & FAIRBAIRN, of Giggs Hill Green, Thames Ditton, Surrey. Solicitors for the Milk-Marketing Board.

Appendix III

NAMES AND QUALIFICATIONS OF WITNESSES

(a) On Behalf of the Complainants

THOMAS CORLETT, Associate Director of the British Market Research Bureau Limited.

JOHN STUART JOHNSTONE, Vice-Chairman of Quality Milk Producers Limited.

WILLIAM BRUCE TAYLOR, F.C.A., Managing Director of Quality Milk Producers Limited.

(b) On Behalf of the Board

WALTER RICHARD TREHANE, B.Sc. (Agric.), Chairman of the Milk Marketing Board.

Appendix IV

Extract from Particulars of Paragraph 14(g) of the Milk Marketing Board's representations

TABLE I

This table is based on a one in five survey of compositional quality results made over the year October 1960 to September 1961.

Number of Producers coming within each band of total solids. C.I. premium producers excluded.

Bands of Total Solids	Number of Producers in each Band		S.N.F.8. 4% or less	
Above 13%	809 × 5	4,045 which include	5	
Less than 13% but of 12.8% or more	764 × 5	3,820	" "	5
" " 12.8% " " 12.6% " "	1,701 × 5	8,505	" "	10
" " 12.6% " " 12.3% " "	6,200 × 5	31,000	" "	60
" " 12.3% " " 12% " "	7,046 × 5	35,230	" "	750
" " 12% " " 11.9% " "	1,214 × 5	6,070	" "	840
" " 11.9% " " 11.8% " "	635 × 5	3,175	" "	950
" " 11.8% " " 11.7% " "	305 × 5	1,525	" "	750
" " 11.7%	254 × 5	1,270	" "	1,040
Total Producers for whom useable records are available.	94,640		" "	4,410